



University of Hawaii at Manoa

Environmental Center
Crawford 317 • 2550 Campus Road
Honolulu, Hawaii 96822
Telephone (808) 948-7361

Office of the Director

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SB 556 RELATING TO TAX INCENTIVES FOR WATER CONSERVATION DEVICES

Statement for
Senate Committee on
Ecology, Environment and Recreation
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By
A. Daniel Burhans, Environmental Center
Doak C. Cox, Environmental Center
Reginald H. F. Young, Water Resources Research Center

SB 556 proposes to amend Hawaii Revised Statutes to provide for certain tax incentives for the installation of water conservation devices. This statement on the bill does not represent an institutional position of the University.

The tax incentives proposed are credits against State individual and corporate income taxes equal to 50 percent of the cost of the devices. Positive incentives of this sort would undeniably promote the installation and use of the devices. Although a tax credit as large as 50 percent is considerable, the incentive would be greater if the credit were based on the combination of the costs of the devices and the costs of their installation, rather than the former alone. Some comment is warranted on the effectiveness of the increased use of the devices in reducing overall water demands.

A water conservation device is defined in the bill as any new identifiable facility, equipment, apparatus or the like, which reduces the amount of water normally used. This definition would clearly cover such household devices as those reducing the flow of showers. It would also cover bricks placed in toilet tanks to reduce their capacity, but the cost of bricks is so small that the tax-credit incentive to their purchase would be slight.

The definition might also cover some devices used to conserve water in industry, but in general reductions of water usage in industry are achieved by changes in processes rather than the installation of devices other than those normally used to control water flow. It might also cover such water conservation equipment as the pipes used to achieve drip irrigation in agriculture. However, these would be disqualified as a basis for the tax credit through the requirement in the bill that to qualify, the devices would have to be installed in structures now in existence. Hence the incentive seems to be limited primarily to certain devices used in households or in commercial establishments.

As perceived by the State Water Commission, the major increases in water usage will be municipal. The per capita municipal usage on Oahu was about 200 gallons per day in 1975 but will be about 240 gpd in 2000 if present trends continue. A reduction of about 35 million gallons per day in the year-2000 municipal consumption could be achieved if per capita consumption could be held at the 1975 level. However, the domestic usage amounts to only about 110 gallons per capita per day, the remaining municipal consumption being in commercial, industrial, and public uses, and in systems losses.

According to the State Water Commission, water use reductions of as much as 35 percent in the average household and 50 percent in commercial establishments might be achieved by the use of appliances fixtures now available. Some of the reductions would be achieved by not installing certain kinds of appliances, kitchen disposals and automatic dishwashers for example, rather than by installing devices. Other reductions would be achieved by installing more efficient devices in new homes, more important toilets for example, rather than installing devices on fixtures in existing homes. Furthermore, the household uses are even to the extent the use of the devices qualifying for the credit would achieve a certain devices qualifying for the credit would achieve a certain relative reduction in household use, the relative reduction in total domestic use would be less, because the domestic uses of watering lawns and gardens, filling swimming pools, etc., would continue.

These considerations do not negate the benefit that would result from the tax credit proposed in SB 556. However, they suggest that the magnitude of the benefit in reducing overall demands on the water resources of the State is somewhat in question.